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## ***Nintendo v BigBen* and *Acacia v Audi*; *Acacia v Porsche*: design exceptions at the CJEU**

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### **The author:**

- Jane Cornwell is a Lecturer in Intellectual Property Law at the University of Edinburgh and previously worked in private practice, specialising in contentious IP.

### **This article:**

- The decisions of the Court of Justice of the European Union ('CJEU') in *Nintendo v BigBen* (C-24/16 and C-25/16) on the 'citation' defence at Article 20(1)(c) Community Design Regulation 6/2002/EC ('CDR') and in *Acacia v Audi*; *Acacia v Porsche* (C-397/16 and C-435/16) on the 'repair clause' at Article 110(1) CDR make significant inroads into the scope of EU design protection.
- This article explores the legal reasoning of the Court in both cases. Arguing that the Court's reasoning is unpersuasive, it suggests that the outcomes in *Nintendo* and *Acacia* were driven by unstated pro-competitor policy preferences. This may have implications for future directions in CJEU case law on design exceptions.

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<sup>1</sup> In preparing this article, I have used the online database of IP *travaux préparatoires* published by the Centre for Intellectual Property and Information Law at the University of Cambridge (<https://www.cipil.law.cam.ac.uk/european-travaux>). This invaluable resource is gratefully acknowledged.

## I – INTRODUCTION

In late 2017, the Second Chamber of the CJEU decided two important preliminary references affecting the scope of design protection under the EU design regime. The first, in joined cases *Nintendo v BigBen Interactive GmbH, BigBen Interactive SA*, concerned the ‘citation’ defence at Article 20(1)(c) CDR.<sup>2</sup> The second, in joined cases *Acacia v Audi* and *Acacia v Porsche*, concerned the ‘repair clause’ at Article 110(1) CDR.<sup>3</sup>

The CJEU has not heard many design cases, and *Nintendo* and *Acacia* are among the first to address genuinely substantive questions over what EU design law does, or does not, protect. In both cases, however, the CJEU has adopted interpretations of the CDR which make significant and somewhat unexpected inroads into the design rightholder’s exclusive rights.

How did the CJEU reach these conclusions? Despite applying a range of interpretative techniques, the reasoning in both judgments is significantly flawed. The aim of this article is to assess what may lie behind these difficulties and to consider the implications for future design case law. Section II will summarise the two rulings. Section III will analyse and critique the CJEU’s reasoning across the two cases. Section IV will discuss the issues arising. It will be argued that *Nintendo* and *Acacia* involve significant judicial reworking of the disputed provisions of the CDR, apparently motivated by unstated pro-competitor policy preferences.

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<sup>2</sup> *Nintendo Co Ltd v BigBen Interactive GmbH, BigBen Interactive SA*, C-24/16 and C-25/16, EU:C:2017:724 (27 September 2017); Opinion of Advocate General Bot at EU:C:2017:146 (1 March 2017).

<sup>3</sup> *Acacia Srl v Pneusgarda Srl, Audi AG; Acacia Srl, Rolando D’Amato v Dr. Ing. h.c.F. Porsche AG*, C-397/16 and C-435/16, EU:C:2017:992 (20 December 2017); Opinion of Advocate General Saugmandsgaard Øe at EU:C:2017:730 (28 September 2017); noted by L. Flascher, ‘Article 110 of the Design Regulation and protection for spare parts: CJEU proposes the liberalisation of the market’ *JIPLP* 2018, 13(4), 260-262.

## II – THE CASES

### 1. *Nintendo v BigBen*

BigBen manufactured and sold accessories compatible with Nintendo's Wii games console. The key question for present purposes was whether BigBen could rely on the defence to infringement at Article 20(1)(c) CDR to permit the use of images of Nintendo products, corresponding to various Nintendo registered Community designs, on BigBen's product packaging and website.<sup>4</sup>

Article 20(1)(c) CDR provides that there is no infringement of a protected design by:

‘acts of reproduction for the purpose of making citations or of teaching, provided that such acts are compatible with fair trade practice and do not unduly prejudice the normal exploitation of the design, and that mention is made of the source’.

The central issue concerned interpretation of the expression ‘making citations’. Article 20(1)(c) was generally understood to be inspired by copyright law, including Article 10 of the Berne Convention which permits ‘certain free uses’ of copyright works for the purposes of quotation and illustration for teaching.<sup>5</sup> Although acknowledged that the notion of ‘citing’ a design was perhaps awkwardly expressed, Article 20(1)(c) was generally thought to be of only limited scope, directed essentially to

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<sup>4</sup> The reference also considered matters of jurisdiction, sanctions and applicable law not discussed here; see *Nintendo* para 36 for the questions referred.

<sup>5</sup> For example: D. Ohlgart in M. Franzosi (ed) *European Design Protection – Commentary to Directive and Regulation Proposals* (The Hague: Kluwer Law International, 1996), pp143-144; D. Musker, *Community Design Law – Principles and Practice* (London: Sweet & Maxwell, 2002), para 1-133; C-H. Massa and A. Strowel, ‘Community design: Cinderella revamped’ EIPR 2003, 25(2), 68-78, p76; N. Kapyrina, ‘Limitations in the field of designs’ IIC 2018, 49(1), 41-62, p47.

teaching and related reproduction of designs (for example in teaching materials) or reproductions in texts such as books.<sup>6</sup> Some time earlier, the German Bundesgerichtshof had held that reproduction of a design purely for marketing was not a form of ‘citation’.<sup>7</sup>

However, the CJEU took a broader view. Where a third party lawfully sells goods intended to be used with specific goods corresponding to a Community design, ‘making citations’ includes reproducing the protected design ‘in order to explain or demonstrate the joint use’ of the third party’s and rightholder’s goods.<sup>8</sup> The CJEU also considered the further three sub-conditions at Article 20(1)(c).<sup>9</sup>

## **2. *Acacia v Audi; Acacia v Porsche***

This case dealt with joined preliminary references emanating from proceedings against Acacia in Italy and Germany. The issues centred on the ‘repair clause’ at Article 110(1) CDR.<sup>10</sup> Acacia manufactured alloy wheel rims corresponding to wheel rims for which Audi and Porsche

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<sup>6</sup> For example: L. Bently and B. Sherman, *Intellectual Property Law*, 4<sup>th</sup> ed (Oxford: OUP, 2014) p761 giving *inter alia* the example of books about the designers Terence Conran or Phillip Starck; Musker (n.5), para 1-133; D. Stone, ‘Design law misplayed in *Nintendo AG Opinion*’ *JiPLP* 2017, 12(7), 558-564. Cf. C. Spintig in G. Hasselblatt (ed) *Community Design Regulation (EC) No 6/2002 – A Commentary* (Munich: C.H. Beck, 2015), pp186-187 suggesting comparative advertising should be covered.

<sup>7</sup> Case I ZR 56/09, *Deutsche Bahn*, BGH, 7 April 2011, dealing with national law under Article 13(1)(c) Design Directive 98/71/EC.

<sup>8</sup> *Nintendo*, para 77.

<sup>9</sup> *Nintendo*, paras 78-85.

<sup>10</sup> See *Acacia* paras 15 and 20 for the exact questions referred.

owned registered Community designs. While some of Acacia's products were intended exclusively for repair, others were said to be offered in colours and sizes not corresponding to the original products.

Article 110(1) CDR provides as follows:

‘Until such time as amendments to this Regulation enter into force on a proposal from the Commission on this subject, protection as a Community design shall not exist for a design which constitutes a component part of a complex product used within the meaning of Article 19(1) for the purpose of the repair of that complex product so as to restore its original appearance’.

This provision is motivated by the potential adverse impact on consumers of design monopolies in so-called ‘must-match’ spare parts – that is, spare parts the design of which is dictated aesthetically (rather than technically) by the overall product in which they belong. In the context of a complex product such as a car, this includes parts such as body panels or headlights. If protected by design rights, this could tie consumers for the life of the vehicle into purchasing replacement parts only from the original manufacturer. Although not explicitly framed as an exception to infringement (see further below), this is how Article 110(1) has been treated in case law in the UK.

In its initial Proposals for the CDR and Design Directive (‘DD’), the Commission had proposed limiting the enforceability of design protection in such parts to a maximum of three years. An alternative system of remunerated compulsory licensing had been put forward by the European Parliament and supported by the Commission, but no agreement could be reached with the Council. To avoid holding up the enactment of the DD any further, after Conciliation Committee negotiations the so-called ‘freeze-plus’ solution was adopted in the DD: the matter was left unharmonised at national level, but Member States were only permitted to amend existing national laws if liberalising

the market (Article 14 DD) and the Commission was to revert with further harmonisation proposals (Article 18 DD). A short while later, the CDR was enacted containing Article 110(1) as set out above.<sup>11</sup>

The central issue in *Acacia* related to the nature of the parts covered by Article 110(1) CDR. The rightholders argued that Article 110(1) only applied to component parts the design of which was *dependent* on the appearance of the complex product of which they formed part. This would not include wheel rims: their design is not dependent on the appearance of the rest of the vehicle and consumers may choose from among different styles. This position was supported by Recital 13 CDR, which explained the rationale behind Article 110(1) as follows:

‘... it is appropriate not to confer any protection as a Community design for a design which is applied to or incorporated in a product which constitutes a component part of a complex product *upon whose appearance the design is dependent* and which is used for the purpose of the repair of a complex product so as to restore its original appearance, until the Council has decided its policy on this issue on the basis of a Commission proposal’ (emphasis added).

This position also aligned with the interpretation of Article 110(1) adopted in the UK.<sup>12</sup> However, the CJEU disagreed. It held that Article 110(1) is not confined to component parts which

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<sup>11</sup> Attempts to resume harmonisation at the national level have so far failed. On the legislative history generally, see: D. Stone, *European Union Design Law – A Practitioner’s Guide*, 2<sup>nd</sup> ed (Oxford: Oxford University Press, 2016), paras 1.43-1.51 and 20.34-20.37.

<sup>12</sup> *Bayerische Motoren Werke Aktiengesellschaft v Round and Metal Ltd* [2012] ECC 28, noted by J. Cornwell, ‘*BMW v Round & Metal*: the first UK decision on the Community design “repair clause”’ EIPR 2013, 35(9), 548-555.

are design-dependent on the appearance of the overall complex product.<sup>13</sup> In the CJEU's view, relevant 'component parts' encompass any replaceable components which can be assembled/disassembled into a complex product and without which the complex product could not be subject to normal use.<sup>14</sup> This includes, in the context of the cases referred, wheel rims.<sup>15</sup> However, 'repair' does not include replacement of a part for aesthetic purposes or customization.<sup>16</sup> The 'original appearance' of the complex product referred to its appearance as originally marketed and Article 110(1) can therefore only apply to parts identical to the corresponding originals.<sup>17</sup> Where parts can be used both for repair and for impermissible purposes such as customisation, third party manufacturers and sellers are under a 'duty of diligence' to ensure that downstream users use the parts only in compliance with Article 110(1).<sup>18</sup> The CJEU set out various stipulations as to what this entails.<sup>19</sup>

### III – EXAMINING THE COURT'S REASONING

As noted in the introduction, both *Nintendo* and *Acacia* impact significantly on the scope of design rightholders' exclusive rights.

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<sup>13</sup> *Acacia*, para 53.

<sup>14</sup> *Acacia*, para 65.

<sup>15</sup> *Acacia*, para 66.

<sup>16</sup> *Acacia*, paras 69-70. The original part must have become defective in some way.

<sup>17</sup> *Acacia*, paras 74-75.

<sup>18</sup> *Acacia*, para 85.

<sup>19</sup> *Acacia*, paras 86-88.



In *Nintendo*, what was widely understood as a narrowly-applicable exception has transformed into a far more expansive right for third party competitors to reproduce designs to explain or demonstrate product compatibility. In its interpretation of the expression ‘making citations’, the CJEU drew heavily from the Opinion of the Advocate General (‘AG’), but that Opinion had been roundly criticised by leading commentators.<sup>20</sup> As Stone argued, it is ‘hard to imagine a broader interpretation of ‘citation’ than allowing third parties to print a registered design on their own packaging’.<sup>21</sup> Even commentary in favour of the CJEU’s decision has described it as ‘quite momentous’.<sup>22</sup>

On Article 110(1) CDR, while not a complete ‘win’ for third party manufacturers and suppliers, *Acacia* nonetheless widens the range of ‘component parts’ which can be manufactured, sold and used without Community design infringement by virtue of Article 110(1) - not just in the automobile industry, but across all sectors. While, of course, the position remains unharmonised at national level, before *Acacia* the ‘dominant view’ of Article 110(1) in English and German case law and commentary favoured the requirement of design dependency.<sup>23</sup> While *Acacia* cited supportive national case law from Italy, the rightholders were able to call upon supportive decisions from

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<sup>20</sup> Stone (n.6), arguing that the AG had driven ‘a coach and horses’ through the scheme of Community design protection (p558); D. Musker, ‘‘Making citations’ – mystery or mistranslation? The Opinion of Advocate General Bot in *Nintendo v BigBen*’ JIPLP 2017, 12(10), 834-836.

<sup>21</sup> Stone (n.6) p560.

<sup>22</sup> Kapyrina (n.5) p58.

<sup>23</sup> P.G.F.A. Geerts, ‘*Ford Motor Co v Wheeltrims Srl* (C-500/14): what is the scope of the repair clause under design law?’ EIPR 2017, 39(2), 122-124, p124, noting the different view in Italy.

Belgium, Denmark, Germany, Spain, Italy, Finland and Sweden.<sup>24</sup> In what has been described as a ‘somewhat revolutionary holding’,<sup>25</sup> *Acacia* has turned this on its head.

In these circumstances, robust and defensible legal reasoning from the CJEU was paramount. This section will analyse and critique the reasons offered by the CJEU to justify its conclusions – looking first at the Court’s treatment of literal wording, then at context and purpose, and finishing by looking at its consideration of the *travaux*.

## 1. Literal wording

In *Acacia*, the wording of Article 110(1) CDR was highlighted as the primary basis for the CJEU’s decision.<sup>26</sup> Although Recital 13 did refer to component parts of a complex product ‘upon whose appearance the design is dependent’, there was no corresponding language in Article 110(1) itself.<sup>27</sup> On a literal reading of Article 110(1) there was therefore no requirement that the protected design be dependent on the appearance of the complex product.<sup>28</sup>

The CJEU overcame Recital 13 by characterising it as an impermissible derogation from Article 110(1).<sup>29</sup> This is, however, unpersuasive. Recital 13 does not contradict Article 110(1), it

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<sup>24</sup> *Acacia*, AG Opinion, footnotes 9 and 10.

<sup>25</sup> F. Angelini and D. Demarinis, ‘The *Acacia* decision: the repair clause strikes back’ (Class 99 blog, <https://www.marques.org/class99/>, 12 January 2018).

<sup>26</sup> All other reasoning served to support this primary conclusion: *Acacia*, paras 35, 44 and 49.

<sup>27</sup> *Acacia*, para 33.

<sup>28</sup> *Acacia*, para 34.

<sup>29</sup> *Acacia*, para 40.

simply adds more detail. Recital 13 is only a derogation from Article 110(1) if strict literal reading of the operative clause is prioritised: otherwise, it can readily serve as guidance on the nature of the relevant ‘component parts’.<sup>30</sup> To hold otherwise is to denude Recital 13 of meaning and to adopt an interpretation inconsistent with both the CJEU’s general approach to recitals and, in the design context, the General Court’s earlier response (now also well-established in national case law) to other mis-matches between the CDR’s recitals and operative provisions.<sup>31</sup> The AG had, however, also taken a very literal approach: in his view, the absence of language on design dependency from Article 110(1) ‘in itself’ indicated that the rightholders’ argument should be rejected.<sup>32</sup>

In *Nintendo* literal meaning also played a significant, although less transparent, role. Highlighting that the French and Dutch versions of Article 20(1)(c) used the term ‘illustration’ rather than ‘citation’, the CJEU held that a literal interpretation could not be adopted.<sup>33</sup> The AG had also ostensibly rejected a literal approach.<sup>34</sup> However, literalism nonetheless still influenced his thinking. Working from the Larousse French dictionary meaning of ‘illustration’ - quoted at footnote 35 of the Opinion and translated as the ‘act of clarifying, by means of examples, an abstract idea for purposes of application, verification and demonstration’ – the AG developed a semi-literal/semi-purposive focus on the notion of ‘explanation’. He reasoned:

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<sup>30</sup> In the UK, Arnold J had thought it ‘straightforward’ to interpret Article 110(1) in light of Recital 13: *BMW*, para 63.

<sup>31</sup> See *Shenzhen Taiden Industrial Co. Ltd v OHIM, Bosch Security Systems BV (intervener)*, T-153/08, EU:T:2010:248 on Recital 14 and Article 6(2) CDR. See further also: Cornwell (n.12), p554.

<sup>32</sup> *Acacia*, AG Opinion, para 52.

<sup>33</sup> *Nintendo*, paras 71-72.

<sup>34</sup> *Nintendo*, AG Opinion, para 74.

‘... it would seem that the aim pursued in reproducing a registered Community design for the purpose of making citations (35) is simply to explain the way in which the other product, which is intended as an accessory for the first product, is to be used’.<sup>35</sup>

This notion of ‘explanation’ also features in the CJEU’s statement of the aims of Article 20(1)(c), although the Court itself offered no indication of from where this notion was derived. The CJEU simply declared:

‘... it should be noted... that that provision aims to limit the rights conferred by the Community design so far as it concerns acts of reproduction that serve as a basis for the *explanations* or commentary of the person intending to rely on that limitation’.<sup>36</sup>

It is a reasonable inference that the CJEU’s reference to ‘explanations’ is derived from the AG’s Opinion and, thereby, indirectly from the French dictionary definition of ‘illustration’ cited by him. However, the AG’s semi-literal/semi-purposive approach is hard to defend. It is inconsistent to eschew literalism while at the same time reasoning (even indirectly) by reference to dictionary meaning. It is also curious to have attached so much significance specifically to the French version of Article 20(1)(c) CDR. As well as ‘illustration’ and ‘citation’ (the dominantly used term), a range of further expressions – ‘for bibliographic purposes’, ‘demonstration’, ‘mention’, ‘quotation’ and ‘reference’ - are used across the different language versions of the CDR and DD,<sup>37</sup> and were used as

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<sup>35</sup> *Nintendo*, AG Opinion, para 77, footnote highlighted in the original.

<sup>36</sup> *Nintendo*, para 76.

<sup>37</sup> See Kapyrina (n.5), pp46-47 and footnotes 35-37. A number of language versions even use different expressions between the CDR and DD. In Spanish, Article 20(1)(c) CDR uses the expression ‘cita’ and Article 13(1)(c) DD ‘ilustración’. Compare also Article 20(1)(c) CDR and Article 13(1)(c) DD in: Bulgarian (‘демонстрационна’ (‘demonstration’) and ‘цитиране’ (‘citation’)); Lithuanian (‘citavimo’ (‘quoting’) and ‘paminėjimo’ (‘mention’));

synonyms in the drafting and explanatory texts throughout the legislative process.<sup>38</sup> This is a clear example of the problem of ‘inter-lingual indeterminacy’ in EU law.<sup>39</sup> However, no one language version should automatically trump any of the others.<sup>40</sup> Even in French, the original Proposal for a Regulation refers to interchangeably to ‘illustration’ and ‘citation’.<sup>41</sup> Indeed, even with the French

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Maltese (‘*citazzjonijiet*’ (‘citations’) and ‘*biex ikunu kkwotati*’ (‘to be quoted’)); Romanian, (‘*în scopuri... bibliografice*’ (‘for bibliographic purposes’) and ‘*citării*’ (‘citation’)).

<sup>38</sup> The English *travaux* refer at one point to ‘quotations’ rather than ‘citation’ and in Spanish, the expression ‘referencia’ (reference) was also used. In German, the expressions ‘Erwähnung’ (mention) and ‘Erwägung’ (consideration) were used before ‘Zitierung’ (citation) was landed on for the final version of the DD. The Dutch *travaux* also refer to ‘citaten’ (quotations) before switching to ‘illustratie’ (illustration) in the DD as enacted. See variously: European Commission, *Proposal for a European Parliament and Council Regulation on the Community Design*, COM(93) 342 final – COD 463, December 1993, English version, p20, Spanish version pp34 and 106, German version pp24 and 72, Dutch version pp34 and 106; European Commission, *Proposal for a European Parliament and Council Directive on the legal protection of designs*, COM(93) 344 final-COD 464, December 1993, Spanish version p15, German version p14, Dutch version p13; European Commission, *Amended Proposal for a European Parliament and Council Directive on the legal protection for designs*, COM(96) 66 final – COD 464, 21 February 1996, Spanish version p33, German version p35, Dutch version p35; European Commission, *Amended Proposal for a Council Regulation (EC) on Community Design*, COM(1999) 310 final, 21 June 1999, Spanish version Article 22.

<sup>39</sup> E. Paunio and S. Lindroos-Hovinheimo, ‘Taking Language Seriously: An Analysis of Linguistic Reasoning and Its Implications in EU Law’ *ELJ* 2010, 16(4), 395-416, p397.

<sup>40</sup> G. Beck, *The Legal Reasoning of the Court of Justice of the EU* (Oxford: Hart Publishing, 2012) p174.

<sup>41</sup> *Proposal for a Regulation* (n.38, French version), p24 and 74. The French *travaux* also record that the French version of Article 13(1)(c) DD was to align with other language versions: *Amended Proposal for a Directive*, 1996 (n.38, French version), p36 referring to an adjustment of the French text on ‘teaching’: ‘Simple modification de la

translation difference, French commentary also envisaged that Article 20(1)(c) was directed to teaching and related forms of reproduction of designs.<sup>42</sup>

## 2. Context and purpose

In both *Nintendo* and *Acacia*, the CJEU also looked at contextual and purposive considerations. However, in both cases it undertook only a superficial reading of the surrounding legislative scheme, and adopted a broad-brush and contrarian approach to the objectives of the relevant provisions.

Looking first at *Nintendo*, in terms of context the CJEU focussed on the scheme of exceptions in the CDR. Contrasting Article 20(1)(c) with the exception for private and non-commercial use at Article 20(1)(a), the CJEU held that acts covered by Article 20(1)(c) ‘must be carried out in the course of a commercial activity’.<sup>43</sup> However, this overlooks the fact that Article 20(1)(a) requires not merely only non-commercial but also private use.<sup>44</sup> Non-commercial acts which are not private will fall outside Article 20(1)(a). It is therefore consistent with the scheme of Article 20 CDR that Article 20(1)(c) could also be addressed to non-commercial acts, or acts of a more

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version française, pour l’harmoniser avec les autres versions linguistiques’ (‘Simple modification of the French version to harmonize it with other language versions’).

<sup>42</sup> D. Cohen, *Le droit des dessins et modèles*, 4<sup>th</sup> ed (Paris, Economica: 2014), paras 315-316 referring to teaching and illustration in ‘manuals’; J. Passa, *Droit de la propriété industrielle*, Tome 1, 2<sup>nd</sup> ed (Paris : LGDJ, 2009), para 754 referring to ‘reproduction of a design in a work to illustrate a technical, critical or historic proposition’ (author’s own translations).

<sup>43</sup> *Nintendo*, para 75.

<sup>44</sup> See further: U. Suthersanen, *Design Law: European Union and United States of America*, 2<sup>nd</sup> ed (London: Sweet & Maxwell, 2010), para 6-060; Spintig (n.6), pp184-185; Stone (n.11), para 20.60.

borderline commercial nature than advertising, such as those envisaged by commentators (above). The CJEU also made no reference to exceptions in other legal instruments which could have provided further useful contextual assistance.<sup>45</sup>

Purposively, the CJEU reasoned in *Nintendo* that, if a third party creating lawful new products intended to be compatible with existing design-protected products was prevented from using images of those products to explain or demonstrate their joint use, that ‘could discourage innovation’ contrary to the aims of the CDR.<sup>46</sup> This builds on errors in the AG’s Opinion. The AG had (correctly) identified the objective of the CDR as being encourage innovation through the provision of design protection.<sup>47</sup> Surprisingly, however, he had then turned this on its head to justify broad exceptions.<sup>48</sup> He had reasoned:

‘Preventing an undertaking creating new products which are intended to be compatible with existing products – the Community design for which is owned by another undertaking – could undoubtedly discourage innovation’.<sup>49</sup>

This was a serious mis-statement of the issues: nothing at stake in the *Nintendo* preliminary reference concerned the ability to create new products.<sup>50</sup> It is also hard to square these comments with the Court’s highlighting in earlier case law of the importance of effective Community design

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<sup>45</sup> Considered in: Stone (n.6); Musker (n.20).

<sup>46</sup> *Nintendo*, para 76.

<sup>47</sup> *Nintendo*, AG Opinion, para 75.

<sup>48</sup> Ibid, criticised Stone (n.6), p560.

<sup>49</sup> *Nintendo*, AG Opinion, para 75.

<sup>50</sup> Criticised Stone (n.6), p561.

protection.<sup>51</sup> It is more likely that over-reach in the exceptions to infringement could undermine the incentive to innovate. Nonetheless (correcting the AG's argument marginally, so as to frame the point in terms of prohibiting the advertising of new products, rather than their development) somewhat implausibly the CJEU also adopted the incentive rationale which underpins the EU design system as the basis for a broad interpretation of Article 20(1)(c). This contorted and counter-intuitive approach contrasts sharply with the more thoughtful and persuasive reasoning of the German Bundesgerichtshof in the earlier *Deutsche Bahn* case.<sup>52</sup>

Turning to *Acacia*, there are also weaknesses in the CJEU's purposive reasoning. The AG's Opinion, to which the Court explicitly referred, had framed the purpose of Article 110(1) in the broadest possible terms, seeing it as targeted at removing monopolies in all types of component parts.<sup>53</sup> In reality, however, much of the spare parts 'problem' in this broadest sense is already dealt with by other provisions of the CDR: where the dependency is technical (rather than aesthetic) this is achieved *via* the exclusions from protection for 'under-the-bonnet' parts not visible in normal use,

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<sup>51</sup> Noted Spintig (n.6), p184.

<sup>52</sup> Mentioning parallels in copyright, in *Deutsche Bahn* the BGH had held that the objective of the design 'citation' exception was 'the goal of facilitating intellectual engagement with other thoughts or creative achievements': n.7, para 45. The BGH had reasoned that the exception required the reproduction of the design to serve 'as a reference or basis for discussion of the citizen's own statements' and thus 'that an inner connection be made between the reproduced design and the citizen's own thoughts': para 44. On the facts of the case, there had been no basis for applying the exception to the advertising in dispute: the disputed reproduction exclusively served the infringer's marketing interests, not 'intellectual argument': para 48 (author's own translation). See also Stone (n.11), para 20-71.

<sup>53</sup> *Acacia*, AG Opinion, para 38 ('... to avoid providing rightholders with monopolies in respect of component parts of complex products...').



technical functionality and mechanical interfaces.<sup>54</sup> After application of those exclusions, it is really only aesthetic ‘must-match’ spares which remain a concern. Aside from wheel rims, all of the examples of problematic spares identified by the AG – bumpers, wings, doors and headlights – are parts where ‘must-match’ is the key issue.<sup>55</sup> The AG appears, however, scrupulously to have avoided noting as much. The CJEU itself reasoned simply – and very vaguely – that the purpose of the repair clause was to avoid the creation of captive markets in ‘certain’ spare parts and to liberalise the spare parts market ‘to a certain extent’.<sup>56</sup> That there is no ‘captive market’ if the component part is not design-dependent was not acknowledged.

Contextually, having dismissed Recital 13 CDR as an aid to construction as noted above, in *Acacia* interpretation of the surrounding legislative scheme focussed on the Court’s reading of the ‘freeze’ provision at Article 14 DD. Like Article 110(1) CDR, Article 14 DD does not itself explicitly refer to design dependent parts. The CJEU reasoned that, since the CDR was intended to align with the DD, the absence of this language from Article 14 DD militated in favour of an interpretation of Article 110(1) CDR also which did not have such a condition.<sup>57</sup>

This is, however, based on an erroneous reading of the DD. Detailed review of the *travaux* affirms that, throughout the period leading up to just before adoption of the DD, the requirement of design dependency had been present in the versions of the proposed Directive and Regulation put

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<sup>54</sup> Cornwell (n.12), p549.

<sup>55</sup> List of parts highlighted in *Acacia*, AG Opinion, para 43.

<sup>56</sup> *Acacia*, paras 50-52. The closest the Court came to identifying what those ‘certain’ parts should be was to refer to ‘external parts’: para 50.

<sup>57</sup> *Acacia*, paras 44-48.

forward by the Commission and the Parliament.<sup>58</sup> It was also present in the working drafts circulated between the Presidency, the Council's Working Party on Intellectual Property (Designs) ('WPIP') and Permanent Representatives Committee ('Coreper').<sup>59</sup> WPIP minutes show that, while that some national delegations opposed the derogation in principle, some took different views on details of the proposals and others generally reserved their positions, no delegation disputed the focus on must-match spares.<sup>60</sup> The 1997 Common Position reflects this.<sup>61</sup> Even as it became clear that the issue

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<sup>58</sup> *Proposal for a Regulation* (n.38), p20 and draft Article 23; *Proposal for a Directive* (n.38), draft Article 14; European Parliament, *Report on the Proposal for a Directive* (A4-0227/95, 29 September 1995), draft Article 14; European Parliament, *Text adopted by the European Parliament*, (OJ C 287/157, 12 October 1995), draft Article 14; *Amended Proposal for a Directive* (n.38), draft Article 14; European Parliament, *Recommendation for a Second Reading* (A4-0319/97, 15 October 1997), draft Article 14.

<sup>59</sup> *Working document from the Presidency to WPIP* (Council document no. 9028/95, 19 July 1995), draft Article 23; *Note from the Presidency to WPIP* (7489/96, 30 May 1996), draft Article 14; *Note from the Presidency to WPIP* (9415/96, 26 July 1996), draft Article 14; *Note from the Presidency to Coreper* (10889/96, 28 October 1996), draft Article 14a; *Note from the Presidency to the Council* (11509/96, 13 November 1996), draft Article 14a; *Note from Coreper to the Council* (6401/97, 3 March 1997), draft Article 14a.

<sup>60</sup> Summary of WPIP proceedings on: 21 March 1994 (Council document no. 5933/94); 20 May 1994 (7298/94); 15 and 16 December 1994 (12312/94); 10 and 11 April 1995 (6983/95); 6 and 21 September 1995 (10486/95); 16 October 1995 (11052/95); 29 February, 1 March and 12 March 1996 (5932/96); 28 March, 18 and 19 April 1996 (6936/96); 24 June 1996 (8756/96); 18 and 19 July 1996 (9814/96).

<sup>61</sup> European Council, *Common Position (EC) No 28/97*, 17 June 1997, Recital 19, Article 14 and Statement of Reasons para 34.

would have to be taken to the Conciliation Committee, design dependency continued to be referred to in Council documentation preparing for the conciliation procedure.<sup>62</sup>

It was only during the conciliation negotiations in the very final stages of the DD's legislative passage that the language on design dependency disappeared from Article 14 DD.<sup>63</sup> However, while the conciliation Joint Text does not explain why the design dependency language was dropped from Article 14, importantly that language *remained* in Recital 19 DD of the Joint Text.<sup>64</sup> The pre-legislative documents show that, at the time, the parties viewed Recital 19 DD as an important element of the legislative solution reached in the conciliation negotiations. Commission and WPIP documents record that:

‘The agreement on spare parts is embodied in Articles 14 and 18 of the Directive, *combined with certain recitals, relating thereto*’;

and that:

‘Article 14 of the Design Directive should be read *in conjunction with Recital 19 thereof*’.<sup>65</sup>

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<sup>62</sup> *Report from the General Secretariat to Coreper* (Council document no. 12996/97, 4 December 1997); *Report from the Presidency to Coreper* (5179/98, 14 January 1998); *Note from the Presidency to Coreper* (6881/98, 16 March 1998).

<sup>63</sup> European Parliament and Council, *Joint Text approved by the Conciliation Committee* (00/0464 (COD) C4-0467/98, 29 July 1998), p17.

<sup>64</sup> *Joint Text* (n.63), p6.

<sup>65</sup> *Amended Proposal for a Regulation* (n.38), p3; summary of WPIP proceedings on 26 and 27 July 1999 (Council document no. 10545/99), pp6-7; emphases added. The report by the Parliament's delegation to the Conciliation Committee indicates that the key negotiation point was getting the Council to shift away from its proposed ‘free-for-

Presidency reports to Coreper and the Council also indicated that the compromise solution adopted in the DD was to be found at ‘Article 14 *and recital 19*’.<sup>66</sup> The Statement from the Commission recorded in the Joint Text, and later published alongside the DD, also refers to design dependency.<sup>67</sup> However, in *Acacia* – in what, it is suggested, was a significant omission which led the Court astray - the CJEU did not acknowledge Recital 19 DD in its discussion of legislative context.<sup>68</sup>

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all’ transitional provision (which would have allowed Member States to amend national laws however they wished) to the ‘freeze-plus’ position (allowing liberalising amendments only): *Report on the Joint Text* (A4-0315/98, 10 September 1998), pp6-7.

<sup>66</sup> *Report from Presidency to Coreper* (12420/00, 19 October 2000), footnote 8, p3; *Report from Presidency to Council (Internal Market, Consumers and Tourism)* (13749/00, 24 November 2000) footnote 8, p3; emphasis added. See also: European Parliament, *Opinion of the Economic and Social Committee on the Amended Proposal* (2000/C 75/13, 27 January 2000), paras 1.4, 1.6 and 2.5; European Parliament, *Report on the amended proposal for a Council Regulation (EC) on Community design* (A5-0150/2000, 29 May 2000), pp7 and 10. WPIP minutes also show that the focus was still very much on design-dependent parts: summary of WPIP proceedings on 26 and 27 July 1999 (Council document no. 10545/99), para 26 opening words: ‘As regards the design applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance that design is dependent...’ (underlining in original). Arnold J in *BMW* commented that: ‘No one at the time appears to have attached any significance to the question whether the words “upon whose appearance the design is dependent” appeared in the recital, the article or both’: *BMW*, para 60.

<sup>67</sup> *Joint Text* (n.63).

<sup>68</sup> Recital 19 DD was mentioned only in passing in the Court’s later comments on liberalizing purpose: *Acacia*, para 52. The AG did not mention Recital 19 DD at all.

### 3. Drafting history

Having looked at wording, context and purpose, finally this section considers the Court's treatment of the CDR's drafting history. The CJEU has a mixed track record on the design *travaux*,<sup>69</sup> which continues into *Nintendo* and *Acacia*.

In *Nintendo*, drafting history was not considered. It has been said that the origin of the 'citation' exception cannot be located in the *travaux*.<sup>70</sup> there is certainly no 'bull's-eye' of the kind typically required by the UK courts.<sup>71</sup> However, this does not mean that the *travaux* are entirely without utility: they can, it is suggested, indicate what was *not* intended by the EU legislators. In the official commentary to the Commission's initial Proposal for a Regulation it was explained that the provision was to cover 'fair use as regards educational use or quotations'.<sup>72</sup> This reference to 'fair use' implies an intention that the exception be directed to acts of reproduction made for purposes such as teaching, research or criticism and, perhaps, more 'transformative' purposes such as parody

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<sup>69</sup> Having, for example, correctly addressed them in *Easy Sanitary Solutions BV, EU IPO v Group Nivelles NV*, C-361/15 P and C-405/15 P, EU:C:2017:720 (on the scope of prior art under Article 7(1) CDR) but misread them in *Flos SpA v Semeraro Casa e Famiglia SpA*, C-168/09, EU:C:2011:29 (on the copyright/design interface). On the latter, see L. Bently, 'The return of industrial copyright?' EIPR 2012, 34(10), 654-672.

<sup>70</sup> Kapyrina (n.5), p46; Musker (n.20), p836.

<sup>71</sup> *BMW*, paras 61-62.

<sup>72</sup> *Proposal for a Regulation* (n. 38), p20, emphasis added. The earlier Green Paper had focussed on reproducing designs for teaching: *Green Paper on the Legal Protection of Industrial Design*, June 1991 III/F/5131/91-EN, draft Article 19(1)(c) and para 6.4.7.2.

or satire.<sup>73</sup> Although some reservations on the draft provision were initially entered by WPIP delegations - and brief consideration even appears to have been given by some delegations to deleting the reference to ‘making citations’ - WPIP minutes show that these reservations were not maintained.<sup>74</sup> The draft provision attracted no other comment in the legislative process. Had the EU legislators’ intentions been to create a much more commercially broad and permissive advertising exception of the kind created in *Nintendo*, that would undoubtedly have given rise to considerable debate and disagreement which would be evident in the *travaux*.

In contrast, in *Acacia* the CJEU pinned considerable significance to the *travaux*. They were, however, roundly misread by both the AG and CJEU. This was very much linked to their misreading of the legislative solution adopted in the DD. The CJEU’s and AG’s argument was in effect that, while the legislative process initially started with a *narrow* draft ‘repair clause’ aimed only at design-dependent parts, by the time of the enactment of the DD (and thereafter the CDR) the legislators’ intentions had *widened* so as to capture all replacement parts, whether design-dependent or not. As the AG put it (with his emphasis):

‘... the aim of the repair clause, in the version currently in force, is, in my view, the *extensive liberalisation* of the market in replacement parts, unlike the version initially proposed by the Commission, the aim of which was the *limited liberalisation* of that market’.<sup>75</sup>

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<sup>73</sup> Suthersanen described Article 20(1)(c) as an ‘extremely restricted fair dealing or fair use provision’: n.44, para 6-062.

<sup>74</sup> Summary of WPIP proceedings on: 20 May 1994 (Council document no. 7298/94); 15 and 16 December 1994 (12312/94); 2 and 3 March 1995 (5491/95); 6 and 21 September 1995 (10486/95).

<sup>75</sup> *Acacia*, AG Opinion, para 46.

This is, however, not an analysis which withstands close scrutiny. As is clear from the discussion on Article 14 DD above, the upshot after conciliation negotiations was that design dependency remained in Recital 19 DD, that recital being viewed as an important part of the overall legislative solution enacted. There had been no disagreement from any party involved in the DD's legislative progress as to *what* the repair clause was directed at – i.e. must-match spares. Instead, the disagreement which had so occupied the EU legislators concerned *how* the issue should be dealt with – whether by a cut-off on enforceability, a remuneration scheme or some other measure, as outlined in Section II above.<sup>76</sup>

Unsurprisingly given the consistent focus at the time on must-match spares, the Amended Proposal for a Regulation put forward by the Commission in 1999 (shortly after the DD had been concluded) was explicitly focussed on design dependent parts.<sup>77</sup> In the CJEU's view, however, a subsequent change of intention was indicated by a report from the Presidency to Coreper dated 19 October 2000.<sup>78</sup> On that basis, the CJEU reasoned that the absence of design dependency wording in Article 110(1) stemmed from 'a choice made during the legislative process'.<sup>79</sup> The CJEU followed the reasoning of the AG on this point. According to the AG, the design dependency language in the 1999 draft Amended Proposal had been 'one of the main obstacles' to adoption of the CDR.<sup>80</sup> In the AG's

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<sup>76</sup> As Arnold J noted, the focus on must-match spares was a 'consistent aspect of the discussions throughout the process': *BMW*, para 60.

<sup>77</sup> *Amended Proposal for a Regulation* (n.38), pp4 and 23 (draft Article 10a).

<sup>78</sup> *Acacia*, paras 37-38.

<sup>79</sup> *Acacia*, para 39.

<sup>80</sup> *Acacia*, AG Opinion, para 59.

view, deletion of that design dependency wording had been necessary for the adoption of the CDR by the Council.<sup>81</sup> The AG had also accepted the Commission's argument that the continuing presence of language on design dependency in Recital 13 CDR was 'the result of a lack of co-ordination' between the recitals and operative provisions of the CDR.<sup>82</sup>

As well as misreading the legislative solution enacted in the DD, this also misunderstands the issues surrounding the draft provision of the 1999 Amended Proposal which would ultimately become Article 110(1) CDR. The language on design dependency was not the concern.<sup>83</sup> While the draft provision in the 1999 Amended Proposal did give rise to drafting issues, they were on other matters. The first was whether the provision was to exclude all protection for the relevant design, or was simply a defence to infringement in relevant cases. The second was that the provision contained no reference to 'use for the purpose of repair'. This would have removed from the scope of infringement any and all 'uses' of relevant spares (including manufacture and sale) whether for repair or not. This would have represented a very substantial widening of the scope of the clause. The point

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<sup>81</sup> *Acacia*, AG Opinion, para 63.

<sup>82</sup> *Acacia*, AG Opinion, paras 79-81. The Commission's argument seems somewhat revisionist given its position on the drafting of the DD at the time, as noted in the main text.

<sup>83</sup> This can be seen even from the October 2000 report to Coreper so relied upon by the AG and Court. That report explicitly records that the compromise solution in the DD was to be found at Article 14 *and* Recital 19 DD – Recital 19, of course, referring explicitly to design dependency as discussed in the main text. See further n.66.



had been flagged in WPIP discussions and moves had been made to reinstate the repair language within WPIP, by the Parliament and by the Presidency.<sup>84</sup>

When the draft was put to Coreper in October 2000 it was these two issues (repair purposes; and the exclusion/defence point) which were key. Contrary to the AG's view that the provision had to be redrafted because it was *too narrow* in scope (because, it is said, it was improperly limited to design-dependent component parts), the position was quite the opposite: because it was not limited to repair, the concern from national delegations was that the draft provision was *too wide*. The report to Coreper of October 2000 emphasises the concern that the draft provision *went too far*:

‘The great majority of delegations called for the wording of Article 10a and recital 12 to be more closely aligned on Article 14 of the Directive, *since the text proposed by the Commission was likely to exclude from protection more component parts than those referred to in the latter Article*. These delegations argued that spare parts should be excluded from the protection offered under the Regulation *only where they were used to repair a complex product so as to restore its original appearance*’.<sup>85</sup>

It was the issue of repair, not design dependency, which was key in terms of aligning the CDR with the DD. Addressing this, Coreper was presented with three drafting options: the draft text from the 1999 Amended Proposal; a proposal from the Presidency; and a proposal from the Irish delegation. The Presidency's proposal referred to design dependency in the draft operative provision

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<sup>84</sup> Summary of WPIP proceedings on 10 and 11 January 2000 (Council document no. 5554/00); European Parliament, *Report on the amended proposal for a Council Regulation* (n.66), p10; *Note from Presidency to WPIP* (10093/00, 6 July 2000), p8.

<sup>85</sup> *Report from Presidency to Coreper* (12420/00), para 6, emphasis added. See also: *Report from the Presidency to Coreper* (8107/00, 5 May 2000); *Report from the Presidency to the Council* (8512/00, 15 May 2000).

but the Irish proposal did not. Importantly, however, the report from the Presidency to Coreper viewed *both* proposals as in line with the DD: the only difference of substance was said to relate to the exclusion/defence question.<sup>86</sup> The solution adopted by Coreper explicitly picked elements from both of the Presidency and Irish proposals – adopting the draft Recital from the Presidency’s proposal (which referred to design dependency) and the draft operative provision from the Irish proposal (which was intended to have the repair clause function as an exclusion).<sup>87</sup> Read properly, it can be seen from this that the ‘legislative choice’ in finalising the CDR was purposely to enact Article 110(1) alongside Recital 13 - with its explicit requirement of design dependency - in the same way that the legislative choice when finalising the DD had been to enact Article 14 DD alongside the explicit reference to design dependency in Recital 19 DD.<sup>88</sup>

#### **IV –JUDICIAL RE-WORKING AND PRO-COMPETITOR PREFERENCES: WHAT ARE THE IMPLICATIONS?**

What can we take from this review of *Nintendo* and *Acacia*? While neither of Article 20(1)(c) or Article 110(1) CDR were perfectly drafted, in both cases there appears to have been a complete breakdown across all of the Court’s literal, contextual, purposive and historic reasoning.<sup>89</sup> It is

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<sup>86</sup> Ibid, para 9.

<sup>87</sup> *Note from Presidency to WPIP* (12811/00, 30 October 2000), p2.

<sup>88</sup> Arnold J also reviewed the drafting history of the DD and CDR (including the October 2000 report to Coreper and subsequent Council documents) concluding that, while the legislative history had been ‘tortuous’, it supported the rightholders’ position: *BMW*, paras 18-37 and 60-63.

<sup>89</sup> There was also minimal consideration of TRIPS: see only *Acacia* para 76, on the issue of identity with original parts.

particularly striking that the CJEU offered up so many different streams of legal reasoning in both cases to so little persuasive effect.

EU design law has created powerful monopoly rights at a national and Community level. This was quite explicitly the EU legislators' intention: the recitals to the CDR specifically record the aim of providing '*enhanced protection* for industrial design'.<sup>90</sup> The strained reasoning of the AGs and the CJEU suggests discomfort at this. There is little doubt from the tenor of both CJEU judgments that, although strictly outside its interpretative remit, the Court was of the view that, on the facts, the alleged infringers should not be held liable. In *Nintendo*, AG Bot was open in arguing that the objective of effective protection for Community designs should be balanced against the interests of third parties.<sup>91</sup> In *Acacia*, AG Saugmandsgaard Øe was also insistently in favour of extensive liberalisation of the market in spare parts. It is evident in both cases that the CJEU was very much swayed by the AG's comments, even in the face, in *Acacia*, of attempts by the rightholders to re-open the oral procedure in light of the AG's approach to the *travaux*.<sup>92</sup>

It is hard to shake the suspicion that underpinning what are, ostensibly, presented as the CJEU's reasons is an unstated but purposely pro-competitor stance which seeks to expand opportunities for third party suppliers of complementary or substitutable goods. The strong sense that the outcomes in *Nintendo* and *Acacia* have been driven by policy preferences rather than defensible legal reasoning is reinforced by the CJEU's departure in both cases from the long-standing principle that exceptions and derogations from IP protection – and, indeed, in EU law more generally - should

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<sup>90</sup> Recital 7 CDR, emphasis added.

<sup>91</sup> *Nintendo*, AG Opinion, para 76.

<sup>92</sup> *Acacia*, paras 22-28.

be given a narrow construction.<sup>93</sup> In *Nintendo*, the CJEU held that, while Article 20(1)(c) should be interpreted strictly, this was to be done without ‘undermining the effectiveness’ of the limitation it established or ‘disregarding its purpose’.<sup>94</sup> In *Acacia*, the CJEU also held that there was ‘no need for a strict interpretation’ of Article 110(1).<sup>95</sup>

It has been suggested that this shows the CJEU adopting what is said to be an ‘established approach’ to exceptions in copyright case law.<sup>96</sup> This broader approach to exceptions forms part of a wider, ‘flexible’ approach to interpretation of EU copyright measures discussed by Rendas in recent work reviewing the CJEU’s case law on technology-enabled uses of copyright works.<sup>97</sup> Such ‘flexible’ copyright case law includes the decision of a similarly-constituted Second Chamber in the *GS Media* hyperlinking decision.<sup>98</sup>

However, as Rendas’ research has demonstrated, the CJEU does not adopt a flexible approach in all copyright cases and, within that, may still insist on a narrow approach to exceptions.<sup>99</sup> Key to concerns favouring a flexible approach in copyright is the inability of EU copyright

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<sup>93</sup> For example: Spintig (n.6), p184; H. Hartwig, ‘Spare parts under European design and trade mark law’ JIPLP 2016, 11(2), 121-129, p125; Stone (n.11), para 20.59.

<sup>94</sup> *Nintendo*, para 74.

<sup>95</sup> *Acacia*, para 41.

<sup>96</sup> Kapyrina (n.5), p55.

<sup>97</sup> T. Rendas, ‘Copyright, technology and the CJEU: an empirical study’ IIC 2018, 49(2), 153-184.

<sup>98</sup> Rendas (n.97), pp162 and 172 and footnote 106, discussing *GS Media BV v Sanoma Media Netherlands BV*, C-160/15, EU:C:2016:644.

<sup>99</sup> For example Rendas, (n.97), p169 and Appendix 2, section 2.1 giving the example of *ACI Adam BV v Stichting de ThuisKopie*, C-435/12, EU:C:2014:254.

legislation to keep up with continuing and unpredictable technological change in a way which accommodates previously unforeseen but socially valuable uses of copyright works.<sup>100</sup> Copyright also poses particular challenges in relation to the creative re-use of existing works and in the balancing of the interests of creators, derivative rightholders and users.<sup>101</sup> Assessing the cases reviewed by him, Rendas suggests that the CJEU took a flexible approach when faced with sufficiently strong concerns regarding freedom of expression, access to information and cultural promotion.<sup>102</sup> Conversely, it took a ‘formalist’ approach – including insisting on strict interpretation of exceptions - when the disputed use of the relevant work had ‘a profit-making nature and/or where it causes some form of market harm’.<sup>103</sup>

It is suggested here that both *Nintendo* and *Acacia* are cases involving the sort of profit-making and potential market harm that should have prompted a ‘formalist’ approach. These were straightforwardly commercial disputes between competitors. Unlike a case involving, say, the artistic or satirical reproduction of a design, there were no creative, cultural or democratic concerns that might militate in favour of a flexible reading of the CDR.<sup>104</sup> There were no issues of access to

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<sup>100</sup> Rendas (n.97), p158.

<sup>101</sup> For example: P.B. Hugenholtz and M. Senftleben, ‘Fair Use in Europe. In Search of Flexibilities’, Amsterdam Law School Legal Studies Research Paper No. 2012-39, Institute for Information Law Research Paper No. 2012-33, November 2011 (<http://ssrn.com/abstract=2013239>); European Copyright Society, ‘Case Comment – Limitations and exceptions as key elements of the legal framework for copyright in the European Union – opinion on the judgment of the CJEU in Case C-201/13 *Deckmyn*’ EIPR 2015, 37(3), 129-133.

<sup>102</sup> Rendas (n.97), p173.

<sup>103</sup> Ibid.

<sup>104</sup> See, for example, Kapyrina’s concerns in relation to ‘creative dialogue’, news reporting and parody: n.5, p42.

information in either case, not even in *Nintendo*: third parties do not need to use figurative depictions of products (such as the contested design reproductions) to advertise the compatibility of their own goods and, as Stone has noted, to permit this appears to go further than trade mark law.<sup>105</sup> Unlike the technological developments driving much of the flexible copyright case law, there was also nothing unforeseeable about the facts underpinning either case. Quite the contrary: both cases involve classic forms of competitor activity - in *Nintendo*, competitor advertising; in *Acacia*, marketing of directly substitutable products. Both impinge directly on the core aim of EU design law to safeguard the value of the protected design as a marketing tool, appreciated for its design qualities by potential purchasers on the market place.<sup>106</sup> There is, in short, nothing about *Nintendo* or *Acacia* to justify interfering with the legislative scheme of exceptions settled upon by the EU legislators. Previous CJEU design case law has taken a strict approach to construing exceptions in other contexts within the EU design regime;<sup>107</sup> even if one takes Kur's view that the preferable approach to construing exceptions is one in which the interpretation is 'neither... narrow nor broad – it must simply be “correct”',<sup>108</sup> there are too many difficulties in the Court's reasoning in both cases.

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<sup>105</sup> Stone (n.6), p562. Trade mark law was briefly acknowledged in *Nintendo* para 85, but without discussing this point.

<sup>106</sup> J. Cornwell, 'Under-referred, under-reasoned, under-resourced? Re-examining EU design law before the Court of Justice and General Court' IPQ 2016, 4, 318-351, pp320 and 330-331.

<sup>107</sup> *Easy Sanitary Solutions*, para 100.

<sup>108</sup> A. Kur, 'Limitations and exceptions under the three-step test – how much room to walk the middle ground?' in A. Kur (ed) *Intellectual Property Rights in a Fair World Trade System: Proposals for Reform of TRIPS* (Cheltenham: Edward Elgar, 2011), p213.

In the immediate term, where does this leave rightholders? Despite the weaknesses in the CJEU's legal reasoning, the decision in *Acacia* is quite tightly drawn, leaving national courts little room to manoeuvre in terms of the applicability of Article 110(1). One potential work-around (albeit of limited likely utility) might arise if a component part could be shown to be inessential, in the sense that the complex product could in fact work without it.<sup>109</sup> More broadly, the factual scenario underpinning *Acacia* was, of course, one in which the component parts for which design protection was claimed and overall complex product were designed by the same entity. Questions might still arise over the suitability of applying Article 110(1) to component parts of complex products – such as, for example, specialist-branded bicycle components - which are designed and made by a different entity to the overall manufacturer or retailer of the complex product into which they are assembled. It is not necessarily self-evident that Article 110(1) should apply in the same way - or that the balance of interests is the same between manufacturer, consumer and competitor - in relation to component parts which, although part of the 'original appearance' of the complex product as sold, in and of themselves represent the independent design effort, and core business offering, of a specialist part design firm.

Either way, in the automobile context *Acacia* seems certainly to put an end to debate over the applicability of the exception in wheel rim cases, particularly given that the Court – technically *ultra vires* – held as a matter of fact that wheel rims were relevant 'component parts'.<sup>110</sup> The focus of debate is instead now likely to shift to the 'duty of diligence' on third party manufacturers and sellers by which it is apparently hoped to police the line between customisation and repair. According to the CJEU, this 'duty of diligence' encompasses three requirements: to inform downstream users 'through

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<sup>109</sup> See Section II and n.14 above.

<sup>110</sup> *Acacia*, para 66.

a clear and visible indication' on the product, packaging, in catalogues or sales documents that the relevant part incorporates a design belonging to another party and is intended only for repair; to ensure 'through appropriate means, in particular contractual means' that downstream users do not intend to use the parts otherwise than consistently with Article 110(1); and to refrain from selling the part where the third party knows or 'in the light of all the relevant circumstances, ought reasonably to know' that the part will not be used in accordance with Article 110(1).<sup>111</sup> All three requirements have the potential to generate both significant points of factual dispute and wider questions of interpretation which may require further references to the CJEU.

As regards *Nintendo*, rightholders looking for a work-around on Article 20(1)(c) CDR / Article 13(1)(c) DD may yet be able to focus on the three sub-conditions to this exception (fair trade practice / no undue prejudice to normal exploitation/ mention of source) on which the CJEU has given relatively little guidance. Such limited guidance as the Court has provided is (not entirely appropriately) very much trade mark-inspired.<sup>112</sup> The second sub-condition (that the relevant acts not unduly prejudice the normal exploitation of the design) seems critical, yet is the least developed by the Court. In *Nintendo*, the CJEU stated simply that this condition aimed '*inter alia* to prevent the act of reproduction... from negatively affecting the economic interests that the holder of the rights... may derive from a normal exploitation of those designs'.<sup>113</sup> While ripe for a further clarifying reference to the

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<sup>111</sup> *Acacia*, paras 86-88.

<sup>112</sup> It was held that trade mark case law on 'honest practices in industrial and commercial matters' should apply *mutatis mutandis* to the requirement that the relevant act of reproduction be 'compatible with fair trade practice': *Nintendo*, paras 79-80. Mention of the source was also said to be to enable 'a reasonably well-informed and reasonably observant and circumspect consumer easily to identify the commercial origin of the product corresponding to the Community design': para 84. See further Stone (n.6), pp562-563.

<sup>113</sup> *Nintendo*, para 82.



CJEU, the applicability of this sub-condition (along with the other two) will ultimately be a matter of fact in any given case. Different national courts - particularly with different historic attitudes to design protection - may take more or less generous views as to what is, or is not, protected within the rightholder's economic interests. In the meantime, it may be possible to persuade a national court that the reproduction for 'explanation or demonstration of joint use' made permissible by *Nintendo* only covers genuinely explanatory reproductions, rather than material which simply serves the purpose of advertising (as arguably was the case in *Nintendo*). This might focus, for example, on genuinely diagrammatical illustrations necessitated by particular complexity in ascertaining the joint operability of the rightholder's and third party's goods. Were such an argument to be successful, the practical impact of the *Nintendo* ruling might be limited in terms of both *when* reproduction of designs would be permitted – essentially only for more technical products, rather than familiar consumer goods for which genuinely explanatory material is less required - and *where* such reproduction might appear – for example, in product manuals rather than on competitor packaging itself.

What of the issues for design law more broadly? *Nintendo* and *Acacia* do both suggest that a 'flexible' approach to exceptions, and implicitly pro-competitor attitude, may continue in the CJEU's future design case law. *Nintendo* may, for example, signal a willingness on the part of the CJEU to interpret more loosely than expected the private/non-commercial exception at Article 20(1)(a). Despite its patent law origins and support for a narrow interpretation,<sup>114</sup> the 'experimental use' exception at Article 20(1)(b) could also potentially be given a broad interpretation, for example to include use of protected designs in product prototyping or even market research.<sup>115</sup>

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<sup>114</sup> Ohlgart (n.5), p143; Musker (n.5), para 1-133.

<sup>115</sup> As advocated by Spintig (n.6), pp185-186. Cf. Suthersanen, who gives consumer surveys as an example of exploitation 'under the guise of experimentation': n.44, para 6-061

This rather elastic approach to interpretation of the DD and CDR would, however, have many downsides, both for rightholders and, more generally, for the coherence of the still-developing CJEU design case law. Whatever view one takes of EU legislative drafting, it bears repeating that it is not the CJEU's role freely to rework the EU legislators' choices under the guise of interpretation. Substantive uncertainty in design law is also compounded when there is uncertainty over how cases will be dealt handled in terms of interpretative approach.<sup>116</sup> Whereas the hallmark of GC design decisions has, if anything, been a lack of legal reasoning,<sup>117</sup> *Nintendo* and *Acacia* tend in the opposite direction – the CJEU offers up almost too much by way of reasons, the morass of which obscures their fundamental unpersuasiveness. The CJEU has heard only relatively few design cases, and *Nintendo* and *Acacia* were among the first to offer the opportunity for the CJEU to engage with key questions on what EU design law is intended to protect and achieve. In such circumstances, the Court's poor legal reasoning and apparent willingness to stretch interpretation is disappointing. If such an approach continues, there is little prospect of rightholders, practitioners or commentators being able to predict with confidence how the CJEU will resolve future questions on design exceptions which may come before it.

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<sup>116</sup> Cornwell (n.106), p344 in particular.

<sup>117</sup> Cornwell (n.106).